

Instruction Sheet #2: Service Cuts vs. Revenue Increases

What steps are we willing to take to achieve the future we want?

- 1) You may have the same moderator and recorder or you may pick other members of your group. Please take only a minute or so to decide.
- 2) Before beginning your group discussion, review the attached lists of possible cuts in services and new sources of revenues.
 - a. Begin with the cuts: after reading through ALL of the cuts, check the 2-3 you find most acceptable.
 - b. Then do the same with the new revenue sources.
 - c. Please try to check at least two in each list, even if you do not think that is the direction the city should go.
- 3) Take 10 minutes to talk about the possible cuts in services that will be necessary if no new money is raised. Identify the 2 cuts your group generally agrees are the most acceptable. (Keep in mind that cuts will also reduce the amount of revenue each program brings in.) Even if your group would rather pay more than see services cut, try to identify 2 areas where the city could make cuts if it became absolutely necessary.
- 4) Take the next 10 minutes to talk about the possible ways of adding revenues to either maintain or increase the current level of service. Identify the 2 methods your group generally prefers for raising additional revenues. Even if your group would rather see cuts in service than new taxes or fees, please try to identify 2 revenue enhancements that would be most acceptable.
- 5) At the end of your 20 minutes, the reporter should have a list of the cuts and revenue enhancements your group thinks make the most sense. Along with this list, please also be prepared to tell us
 - a. Whether your group overall favors cuts or revenue increases.
 - b. If your group favors revenue increases, let us know if you would support an increase sufficient to maintain current service levels, or an increase to add service.

Remember:

- Try to follow the ground rules for dialogue.
- If you come up against a serious disagreement, note it and continue on.
- We are trying to find out how much common ground there is on which we can build, not to resolve all differences.

The Future We Want for Morgan Hill

Potential Cuts to Morgan Hill's Budget



Cut the police force

- **What's involved?** Reduce the number of officers and capacity of police force or contract out police protection to another entity.
- **What would be the effect?** Fewer police on the streets; longer response times.
- **Current spending:** **Gross cost:** \$8.8 million **Revenues:** \$0.6 million **Net spending:** \$8.2 million



Cut fire and emergency response services

- **What's involved?** Reduce the amount of money paid to the County of Santa Clara for providing fire protection and emergency response (ambulance) services.
- **What would be the effect?** An existing fire station will probably shut down. Increase in response time to fires, car accidents and other emergencies.
- **Current spending:** **Gross cost:** \$4.3 million **Revenues:** \$0.3 million **Net spending:** \$4 million



Cut recreation programs

- **What's involved?** Cut funding for after-school recreation programs for youth, recreation and cultural programs for adults and seniors, and special funding for recreational facilities like the Aquatics Center and the Indoor Recreation Center.
- **What would be the effect?** Reduced operating hours, fewer programs offered and higher fees for remaining programs.
- **Current spending:** **Gross cost:** \$3 million **Revenues:** \$2 million **Net spending:** \$1 million



Cut park maintenance

- **What's involved?** Eliminate funding for all park maintenance services, including watering the grass in Morgan Hill's local parks and maintaining play equipment.
- **What would be the effect?** All of the grass in Morgan Hill's parks will "go brown" in the hotter parts of the year; parks will not be as clean.
- **Current spending:** **Gross cost:** \$0.7 million **Revenues:** \$0.1 million **Net spending:** \$0.6 million



Cut administrative expenses

- **What's involved?** Reduce expenses in the departments that manage the city, such as the City Council, the Finance Department, the City Attorney's office and the duties directly supervised by the City Manager.
- **What would be the effect?** It will be more difficult for the city to manage its finances, hire high-quality employees, respond to citizen inquiries, ensure compliance with regulations and strategically plan for the future.
- **Current spending:** **Gross cost:** \$3.1 million **Revenues:** \$2 million **Net spending:** \$1.1 million



Spread the pain

- **What's involved?** Reduce expenditures from the General Fund an equal percent across all departments.
- **What would be the effect?** The city's contract for fire/emergency services requires a minimum level of personnel at each station. This means that savings can only be made in this area by closing a station. All other services will suffer to some degree.

Morgan Hill's current budget shortfall is about **\$1.5 million per year**.

Cuts in these programs will also reduce the amount of revenue they bring in.

The Future We Want for Morgan Hill

Potential Sources of Revenue

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Sales Tax

- **What is it?** A new tax added to the cost of most purchases.
- **Who pays?** Visitors, local businesses and residents making purchases in Morgan Hill
- **What could it be used for?** Any area covered under the general fund.

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Development Tax

- **What is it?** A one-time tax on each new home built in Morgan Hill.
- **Who pays?** Developers and home buyers
- **What could it be used for?** Any area covered under the general fund.

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Parcel Tax

- **What is it?** A flat amount levied on each parcel of property.
- **Who pays?** Property owners
- **What could it be used for?** Any area covered under the general fund.

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Lighting & Landscape Assessment

- **What is it?** A flat amount levied on all parcels in the city. Fee based on benefit received from services.
- **Who pays?** Property owners
- **What could it be used for?** Park maintenance, landscaping, street lights, traffic signals, tree maintenance, sidewalk maintenance, graffiti abatement, freeing up funds for other services.

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Fire Suppression District

- **What is it?** A flat amount levied on all parcels in the city. Fee based on benefit received from services.
- **Who pays?** Property owners
- **What could it be used for?** Obtaining, furnishing, operating, and maintaining fire stations and fire-fighting equipment; salaries and benefits for fire personnel, freeing up funds for other services.

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Utility Users Tax

- **What is it?** A tax added as a percentage on top of natural gas, electric, telephone, sewer, water, refuse, cable TV, pay phone, and/or mobile phone charges (for calls originating in the city).
- **Who pays?** Morgan Hill residents who pay utilities.
- **What could it be used for?** Any area covered under the general fund.

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Increased Tax Revenue from Retail Development: If the City attracted additional "big box retail centers," like the large shopping areas in Gilroy, the City could bring in an additional \$2 million per year in new sales taxes. If the City attracted new car dealerships each would bring in approximately \$250,000 in sales taxes per year.

Maintaining or improving services will require households to pay more than they do now.

- In order to **maintain current services**, households will pay an average of **\$125** more per year
- In order to **improve services**, households will pay an average of **\$325 - \$425** more per year